Consolidated Building Corporation Limited

ANNUAL REPORT 1973

The Cover

This picturesque setting is part of the 760 acre Heart Lake Plan of which your Company has a 50 per cent interest.

The Heart Lake Plan will preserve much of the surrounding environment and will provide approximately 4400 residential units completely integrated with a network of parkway systems, a golf course, a man-made lake, a 26-acre shopping centre site, service station sites and 100 acres of industrial developable land.

This new community is ideally located just north of the Town of Brampton above Highway #7 and adjacent to the Heart Lake Conservation Area.

Financial Highlights

	1973	1972
Revenue	**$28,878,586**	$17,560,484
Earnings before Income Taxes	**$ 2,887,909**	$ 1,039,180
Net Earnings	**$ 1,337,909**	$ 519,180
Net Earnings per Common Share	**28¢**	11¢
Cash Flow from Operations	**$ 3,130,499**	$ 1,231,450
Cash Flow per Share	**64.6¢**	25.5¢
Shareholders' Equity	**$ 4,511,410**	$ 2,964,940
Number of Common Shares Outstanding at year end	**4,955,870**	4,821,829

A street scape showing the varied types of homes built by your Company in the new community of Meadowvale.

Consolidated Building Corporation Limited

99 Avenue Road
Toronto, Ontario M5R 2G5

consolidated
building corporation

1973-74 Proposed Slate of Board of Directors

Howard L. Beck, Q.C.
Partner, Davies, Ward and Beck

John S. Bull
President and Chief Executive Officer Bovis Corporation Limited

W. Bernard Herman, Q.C.
Chairman, City Parking Canada Limited

Raymond MacTavish
Vice President, Finance, Bovis Corporation Limited

James McFarlane
Vice President, Operations, Consolidated Building Corporation Limited

Harold MacNamara
Chairman of the Board, Bovis Corporation Limited

D. Norman Morris, B.A., C.A.
Vice President, Finance, Consolidated Building Corporation Limited

Somer Rumm
Vice President, Land Development, Consolidated Building Corporation Limited

Lawrence Shankman
Chairman of the Board and President, Consolidated Building Corporation Limited

Officers

Lawrence Shankman
Chairman of the Board and President

Francis D. Cavill
Vice President, Investment Properties

James McFarlane
Vice President, Operations

D. Norman Morris, B.A., C.A.
Vice President, Finance

Somer Rumm
Vice President, Land Development

Auditors

Clarkson, Gordon & Co.

Transfer Agents and Registrar

Guaranty Trust Company of Canada

Listed

Toronto Stock Exchange
Montreal Stock Exchange
Vancouver Stock Exchange

Report To The Shareholders

I am pleased to report that the year ended February 28, 1973 was an outstanding one for your Company, with earnings increasing 157 per cent from $519,180 to $1,337,909. In my opinion, these results represent the first major reflection of the rebuilding program your Company initiated in the late 1960's.

The financial constraints arising in the mid-1960's restricted the normal scope of real estate activities for many companies such as ours. However, improving financial strength has gradually reduced these constraints and allowed greater range for your Company's expertise. The reorganization of the Company's financial structure, which you supported in July 1971, formed part of this improving financial position.

The Company's policy of making land development its major thrust has resulted in a steadily expanded land inventory over the last five years. In fiscal 1973, profits from the sale of lots to other builders and from the construction on lots for final sales by the Company's residential construction operation, became a major profit source. I expect that the profit attributable to land development activities will be our largest single revenue source in the current year, and for many years to come.

During the last few years, another of our policies has been to improve the quality of our revenue producing property portfolio. In line with this policy, your Company has recently completed the conversion of 504 rental townhouse units to condominiums for sale. The capital freed has been redirected into our Walmer Place, 40 Gerrard Street, and the Bloor and Dundas highrise residential developments. Walmer Place has been well received and is now substantially occupied. We anticipate an equally favourable reception for the latter two projects. The sale of the rental townhouses prior to the maturing of these highrise developments has led to a temporary reduction in rental income for fiscal 1973, which will continue throughout the current year.

A further major step has been taken to improve the Company's financial position and provide the equity necessary to maintain our profitable land inventory program and our growing revenue-producing property portfolio. On May 27 of this year, your Board of Directors approved in principle the sale of 1,200,000 treasury shares of the Company to Bovis Corporation Limited, a diversified company engaged in heavy civil engineering, real estate and finance activities. The shares will be sold at $3.75 per comon share for a total of $4,500,000. Upon completion of the agreement, Bovis will have a 20 per cent equity position in your Company.

The transaction has the immediate effect of doubling shareholders' equity to $9,011,410 and providing $4.5 million to accelerate the Company's land and rental revenue investment program.

Your Board of Directors and I look forward to a successful relationship with our new shareholder, and to obtaining the benefit of their financial and management advice at both Board and Executive Committee levels. Accordingly, Messrs. Harold McNamara, John Bull and Ray MacTavish, Directors and Officers of Bovis Corporation Limited, have been included in the proposed slate of Directors for your Company. I would like to express my sincere appreciation to the retiring Board members, Messrs. John H. Brown, John D. Fienberg, Walter A. Keyser, Melville O'Donohue, Q.C. and Louis Stulberg, who have served on your Board in the past and have contributed much to your Company's well-being. I would also like to express my gratitude to your senior management and entire staff, without whose dedicated efforts the results achieved this past year would not have been possible. On behalf of the Board of Directors we express to them our sincere thanks.

Lawrence Shankman, Chairman and President.

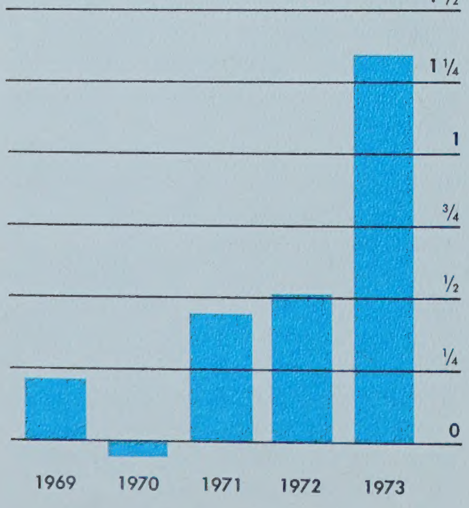
Your Company has made steady progress through the past three years, with the most significant improvement being made during the past year. The following table best highlights the year under review:

	1973	1972	% Increase
Revenue	$28,878,586	$17,560,484	64.4
Net Profit	$ 1,337,909	$ 519,180	157.7
Profit per Share	28¢	11¢	
Cash Flow from Operations	$ 3,130,499	$ 1,231,450	154.2
Cash Flow per Share	64.6¢	25.5¢	
Total Assets	$37,411,303	$26,791,317	39.6
Shareholders' Equity	$ 4,511,410	$ 2,964,940	52.2

As a member of the Canadian Institute of Public Real Estate Companies, (CIPREC), we have prepared the financial statements in accordance with the accounting guidelines established by this Association.

It is the Company's policy to account for its investments in joint ventures on the equity basis in the balance sheet. A proportionate share of the income and expenses of the Company's interests in joint ventures is included in the corresponding items in the Statements of Earnings. Consequently, your Company controls an additional $22 million in assets by its investment in joint ventures. Your Company has been recognized by its associates in the industry as having a strong management team with considerable expertise in the development and construction field, and because of this we have been appointed the managing partner in all our joint ventures.

Net Earnings
Millions of Dollars



Outlook

I expect that the first quarter of the fiscal year will reflect a marked increase over the corresponding period of last year. Your Company has an excellent inventory of both developed and developable land. Your management team has demonstrated that it has the experience to convert this inventory into profits.

We anticipate a strong market demand for all types of accommodation during the remainder of the Seventies. In all likelihood, we will be looking to higher interest rates for the balance of the year, but we expect a slackening off of rates in early 1974.

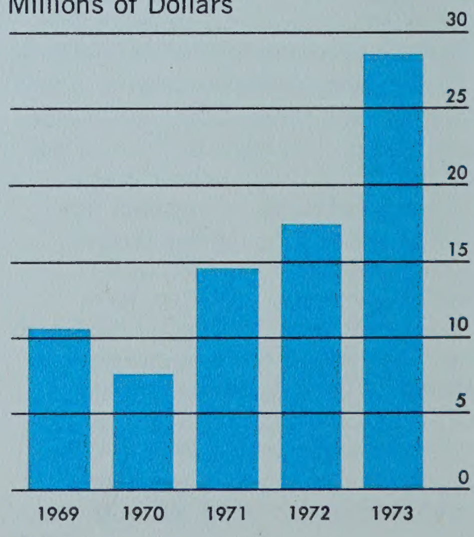
In any event, we feel confident that we can maintain our level of sales for the balance of the year.

Respectfully submitted,

Lawrence Shankman
Chairman & President

July 19, 1973

Revenue
Millions of Dollars



Review of Operations

Land Development Division

During the past year, 256 serviced lots were sold profitably in Whitby, Malton and Oakville to outside builders. This is part of your Company's ongoing policy of developing lots for both our own account and for outside sales.

Plans are proceeding on schedule for the development of additional buildings lots in the following municipalities:

Whitby

Phase II of The Meadows of West Lynde will consist of approximately 170 single lots and 200 townhouse sites. We are presently preparing for the servicing of this development, and expect that it will be ready for registration and construction this fall. This is a joint venture project in which your Company has a 50 per cent interest.

Also in Whitby, plans are being prepared for a residential complex of approximately 900 multiple family units at #2 Highway and Thickson Road. This development is 100 per cent owned by your Company and is expected to be ready for construction by late 1974 to mid-1975.

Rosewood (Scarborough)

We are working towards final registration in the early fall of this year of the 174 acre development consisting of approximately 1240 residential units, and a neighbourhood commercial shopping site. Your Company has been appointed project manager and has a one third interest in the total development. Plans are now being finalized for a combined operation of house construction by your Company and for the sale of lots to outside builders.

Bayview Court (Bayview & Sheppard Avenues, Toronto)

Early this year your Company entered into an agreement to purchase approximately 18 acres of prime land located on Sheppard Avenue one block west of Bayview Avenue in the

(Opposite) Proposed site plan of the 174-acre Rosewood project in Scarborough.

(Above) Efficient and economical servicing of land is very important.

760-acre Heart Lake Plan

City of Toronto. The existing buildings on the property are now being demolished, and your Company plans to construct townhouse units for sale as condominiums. Plans are now being finalized for semi-luxury townhouses with construction expected to commence in the fall of this year.

Heart Lake

This development of 760 acres is one of the most innovative and imaginative concepts of planning that your Company has been involved in to date. The plan provides for approximately 4400 residential units completely integrated with a network of parkway systems, a golf course, a man-built lake, a 26 acre shopping centre site, service station sites and 100 acres of industrial developable land.

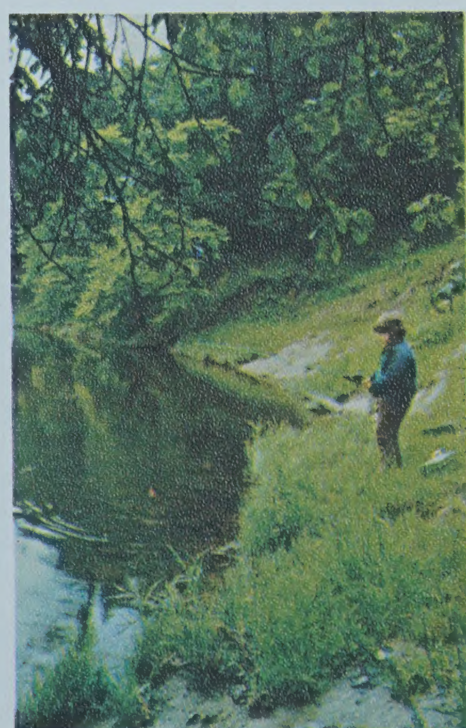
This new community is ideally situated for Toronto residents, being just north of #7 Highway, immediately north of the Town of Brampton and adjacent to the Heart Lake Conservation Area. Your Company has a 50 per cent interest in this joint venture and has been appointed as the project manager. Initial approvals for this new community have been received from the Municipality and we expect final approvals in the early part of 1974. The addition of this development to your Company's present stock of inventory should provide the necessary building lots for a four to five year building program.

Land Bank

Your Company has been actively pursuing a program of land acquisition for future development.

An agreement of purchase and sale has been signed for the purchase of 393 acres of developable land in the Township of East Whitby. In addition, 90 acres have been acquired in the Town of Whitby.

Negotiations are under way for the acquisition of additional lands.



(Above) As servicing continues so does construction at Ridgewood Green site.

(Opposite) A young fisherman tries his luck in a stream that will be incorporated within the proposed Heart Lake Plan.

Residential Construction Division

The expanded activity in the Residential Construction Division resulted in closed house sales of 795 units, an increase of 48 per cent over the past year. In addition to these house sales closed at February 28, 1973 we have on hand a carry-over of 196 offers to purchase for closing during the first half of the 1974 fiscal year.

North York

In late 1972 we purchased lands in the Finch-Leslie area of North York sufficient for the construction of 144 homes. This land is now being serviced and we expect to commence construction on the homes for sale in the early fall of this year. In general, sales in this area have been excellent, and we anticipate that with the quality of construction and imaginative designs we have prepared for our homes, the sales targets we have set will be easily met.

Ridgewood Green (Malton)

We have commenced construction on a total of 226 semi-detached homes in this development. Although our model homes are not yet complete for customer viewing, we have already sold over 75 of these houses. We anticipate that house sales will carry on at a steady rate for the balance of the year.

Meadowvale

In accordance with our forecast of last year, we have completely sold out our first phase of 219 homes in this development. We have purchased lots for an additional 422 homes and construction and sales will be started by mid-summer. We will again be featuring further exciting innovations in design and concept which should enable us to continue the momentum of our excellent selling program.

The Meadows of West Lynde (Whitby)

The Meadows of West Lynde has been one of our most successful resi-

(Opposite) Work progresses smoothly at the Ridgewood Green site.

(Above) Louie Bernasconi, Chief Construction Supervisor.

dential developments to date. Phase I of 494 homes has been almost sold out. We expect to carry on with construction and sale of houses and townhouses in Phase II as soon as the necessary registration of this parcel occurs.

Clarkson

Construction is commencing on a townhouse condominium development of 85 units on Company-owned land at the junction of #2 Highway and Southdown Road, opposite the GO commuter station. All of our previous developments located on the commuter transit line have been most successful, and because of the location and the design features built into these particular homes, we expect the demand in this area to be very strong.

Plans are now being finalized to construct a highrise condominium of 125 apartments on land the Company owns abutting the townhouse development. These units have been specifically designed to cater to the condominium market, and because of the innovative type of plans, location and proposed selling price of these units, we anticipate an excellent sales response.

The Villages of Central Park

We had previously advised that a consortium of five major building companies, of which your Company is a member, was awarded a contract by Ontario Housing Corporation to build 2,400 homes for sale under the H.O.M.E. Plan on lands in the Township of Chinguacousy adjacent to Metropolitan Toronto. This consortium, consisting of Cadillac Development Corporation, Bramalea Consolidated Developments Limited, Victoria Wood Development Corporation, Del Zotto Enterprises Limited and Consolidated Building Corporation Limited has appointed your Company as the project manager to supervise the construction and sale of the homes in Phase I consisting of

(Top Right) This pretty setting is a part of Phase I of the Meadows of West Lynde in Whitby.

(Opposite) A 125 Apartment highrise condominium in Clarkson.

(Above) Andy Vahi, Manager, Condominium Projects.

664 units. These homes were sold by your Company in approximately eight weeks and construction is now basically complete, with over 500 families now living in The Villages of Central Park. I am happy to advise that your Company has again been appointed by the Consortium to manage the next phase of the development, and we now have more than 500 reservations, with deposits, for this next phase of 1,100 units which has now commenced.

The concept of Zero Lot Line building used in this development has been most successful, and we have been requested by various municipalities to make this presentation available to their staffs and officials. We are extremely proud to have been one of the leaders in this field of innovative planning in the Province of Ontario.

Morningside & Lawrence (Scarborough)

We have entered into a contract with The Metropolitan Toronto Housing Company to construct a Senior Citizens' apartment building of 356 suites. The construction of this building is proceeding on schedule, and both building and land will be sold to the Housing Company upon completion.

At the same location, we will be commencing construction of a complex of 108 stacked condominium units and a highrise condominium apartment building of 150 suites. The site is at the junction of three main arteries, Kingston Road, Morningside Avenue and Lawrence Avenue. It will be easily accessible to public transit and shopping, and we anticipate good sales results from both these developments.

This development is a joint venture project in which your Company has a 60 per cent interest.

(Top Left) A 356 suite senior citizen apartment building underway in Scarborough.

(Bottom Left) Pictured on one of the streets in the Gates of Bramalea is a group of young cyclists. Your company built this condominium townhouse project and now manages it.

(Below) One of the many home designs in the Villages of Central Park, Township of Chinguacousy.

Revenue Producing Property Division

Bloor & Dundas Streets (The Crossroads)

Excavation for this development was commenced in April of this year, and was temporarily halted to facilitate the completion of demolition of the existing buildings on the site.

This complex will consist of a base of 105,000 square feet of enclosed retail-commercial shopping space with twin 29-storey towers rising above the podium. The two towers will contain a total of 1,099 suites. Situated beneath the building is the platform for the transfer point between the Bloor Street subway and the GO Transit line planned from Union Station to Georgetown. This transfer point will be connected to the shopping concourse and the residential units in the building by escalators. Completion of this project is expected in late 1974 and we anticipate a rental income from the total development in excess of $2,500,000 annually.

Regency Towers Hotel

Revenue from room operations increased during the past year. The ground floor of the hotel has been completely refurbished, and a new lounge and supper club have been opened. The initial response to these changes has been favourable and we are hopeful that we will continue to build up our clientele in this field to a point where we will be operating a profitable business.

Walmer Place

Both the retail-commercial space and the apartments in this project have been operating at approximately 100 per cent occupancy for the past year. We have now leased about 75 per cent of the office commercial space in this tower, and anticipate full occupancy by the end of the calendar year.

(Opposite) THE CROSSROADS – A new retail, commercial, apartment project at Bloor and Dundas Streets in Toronto.

(Above) This lively scene is at Harold's Supper Club in the Regency Towers Hotel.

40 Gerrard Street East

This building is situated on Gerrard Street, just east of Yonge Street, in Toronto with easy access to the Yonge Street subway. We consider this to be a very convenient location and that the demand for accommodation from downtown office workers will be excellent.

At the time of writing, we have reached the 27th floor of this 34-storey apartment building of 440 suites. We have scheduled the completion of the model suites for presentation to the public by late September, at which time we will commence our rental program for occupancy in late 1973. Upon completion, the total annual revenue from this building is expected to exceed $1,100,000. In last year's report I stated that this development would be operated as a joint venture. I am pleased to report to you at this time that your Company now owns 100 per cent of this project.

(Above) WALMER PLACE – A combined apartment and commercial complex.

(Opposite) 40 GERRARD – Work continues on a 34 storey apartment building on Gerrard Street, opposite the Ryerson Polytechnical Institute.

(Opposite) A 38,000 square foot multi-use factory under construction in Whitby.

(Below) 99 AVENUE ROAD – A 10 storey commercial building in which your Company's head office is located.

(Bottom) THE BARRIE SHOPPING CENTRE.

Whitby (Industrial Development)

Construction is nearing completion of a multi-use industrial factory of 38,600 square feet in the Town of Whitby. Rentals are already being negotiated with the first tenants being assigned to leases. This is a joint venture project in which your Company has a 50 per cent participation.

Whitby (Shopping Centre)

Your Company is entering into a joint venture project on land it owns in Whitby for the construction of an enclosed mall shopping centre of 216,000 square feet. Negotiations are already under way with the Town of Whitby for the rezoning of this property from residential to commercial. Upon completion of the rezoning we would expect a construction start on this shopping centre in 1974. Negotiations are already being finalized for the leasing of 160,000 square feet to a major tenant.

Barrie Shopping Plaza

Through aggressive management, we have been able to revitalize this centre, and I am pleased to report that we now have 100 per cent occupancy. With the increase in population in the Barrie area, we are now considering an expansion of 14,000 square feet to this plaza.

(Above) Spanish Villa Condominiums, Don Mills Road above Sheppard Avenue in Toronto.

(Top Right) A rendering of 40 Gerrard upon completion.

(Opposite) Gates of Bramalea on Dixie Road in Bramalea.

● **CURRENT PROJECTS**

1. **Clarkson**
Clarkson Highway No. 2 and Southdown Road: 85 Townhouse Condominiums/125 Apartment Condominiums
2. **Meadowvale**
Mississauga: 422 Residential Lots/ 250 Condominiums
3. **Central Park**
Chinguacousy: 2400 Residential Lots
4. **Ridgewood Green**
Malton: 600 Residential Lots
5. **Heart Lake**
Chinguacousy: 4400 Residential Lots
6. **Crossroads** (Bloor & Dundas)
Toronto: 105,000 sq. ft. – Commercial/1089 Apartment Suites
7. **40 Gerrard**
Toronto: 440 Apartment Units
8. **Bayview Court**
North York: 18 Acres
9. **Pine Hills**
North York: 144 Residential Lots
10. **Rosewood**
Scarborough: 1240 Residential Lots
11. **Morningside & Lawrence**
Scarborough: 356 Suite Senior Citizen Highrise/108 Stacked Condominium Units/150 Suite Condominium Highrise
12. **Bayshore Heights**
Pickering: 120 Condominium Townhouses
13. **Meadows of West Lynde**
Whitby: 370 Residential Lots
14. **Whitby**
525 Townhouse Lots/216,000 Sq. Ft. shopping centre
15. **Industrial Mall**
Whitby: 38,600 Sq. Ft.

● **INVESTMENT PROPERTIES**

16. **99 Avenue Road**
Toronto: 80,000 Sq. Ft. – Commercial
17. **Regency Hotel**
Toronto: 60 Suites
18. **260 Richmond**
Toronto: 50,000 Sq. Ft. – Commercial
19. **Walmer Place**
Toronto: 140 Apartment Suites/ 45,000 Sq. Ft. – Commercial
20. **Barrie Shopping Center**
Barrie: 26 Stores

● **CONDOMINIUM MANAGEMENT CONTRACTS**

21. **Parkchester**
North York: 161 Condominium Townhouses
22. **Gates of Bramalea**
Chinguacousy: 214 Condominium Townhouses
23. **Spanish Villas**
North York: 97 Condominium Townhouses
24. **Bayshore Heights**
Pickering: 120 Condominium Townhouses

● **LAND FOR FUTURE DEVELOPMENT**

25. **East Whitby Township**
393 Acres, Residential
26. **Whitby Township**
230 Acres

Auditors' Report

Clarkson, Gordon & Co.
Chartered Accountants

Royal Trust Tower
P.O. Box 251 Toronto-Dominion Centre
Toronto 111, Canada

Halifax Saint John Quebec Montreal Ottawa
Toronto Hamilton Kitchener London Windsor
Thunder Bay Winnipeg Regina Calgary
Edmonton Vancouver Victoria

Arthur Young, Clarkson, Gordon & Co.
United States—Brazil

Telephone 864-1234 (Area Code 416)

AUDITORS' REPORT

To the Shareholders of
Consolidated Building Corporation Limited:

We have examined the consolidated balance sheet of Consolidated Building Corporation Limited and its subsidiaries as at February 28, 1973, and the consolidated statements of earnings, retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at February 28, 1973, and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co.

Toronto, Canada,
June 25, 1973.

Chartered Accountants

Consolidated Building Corporation Limited

(and subsidiary companies)

Consolidated Statement of Earnings

FOR THE YEAR ENDED FEBRUARY 28, 1973
(with comparative figures for 1972)

	1973	1972
Revenue:		
Sales of real estate	$26,138,345	$14,405,658
Gross income from investment properties	2,178,226	2,842,536
Interest and sundry income	526,375	228,810
Excess of par value over cost of debentures purchased for cancellation	35,640	83,480
	28,878,586	17,560,484
Expenditures:		
Cost of real estate sold (including net book value of investment properties sold)	21,816,880	12,652,497
Operating expenses of investment properties (excluding interest and depreciation)	1,823,252	1,909,433
Selling, general and administrative expenses	1,241,584	733,453
Interest expense (note 11)	770,731	950,171
Depreciation and amortization of investment properties (note 1b)	175,833	195,360
Amortization of financing costs and other intangibles	162,397	80,390
	25,990,677	16,521,304
Earnings for the year before income taxes	2,887,909	1,039,180
Income taxes – current	60,000	—
– deferred	1,490,000	520,000
	1,550,000	520,000
Earnings for the year	$ 1,337,909	$ 519,180
Earnings per share	28¢	11¢

Consolidated Statement of Retained Earnings

FOR THE YEAR ENDED FEBRUARY 28, 1973
(with comparative figures for 1972)

	1973	1972
Retained earnings beginning of year (after elimination at March 1, 1971 of deficit against issued capital on reorganization)	$ 465,260	—
Earnings for the year	1,337,909	519,180
Capital reorganization expenses	—	(53,920)
Retained earnings, end of year	$ 1,803,169	$ 465,260

(See accompanying notes)

Consolidated Building Corporation Limited
(and subsidiary companies)

Consolidated Balance Sheet

FEBRUARY 28, 1973
(with comparative figures for 1972)

ASSETS

	1973	1972
Cash	$ 2,275	$ 14,946
Mortgages, sale agreements and sundry receivables	7,387,547	2,511,337
Deposits on land (note 8)	273,352	489,000
Housing completed and under construction (note 1c)	5,742,682	3,822,563
Real estate held for development and sale (note 1c)	9,220,192	8,863,588
Investment properties (notes 1b, 1d, 2)	9,684,722	9,718,361
Equity in joint ventures (notes 1a, 3)	4,767,731	602,972
Prepaid expenses, sundry investments and advances	138,322	411,673
Unamortized financing costs and other intangibles	194,480	356,877
	$37,411,303	$26,791,317

On behalf of the Board:

LAWRENCE SHANKMAN, Director

JAMES McFARLANE, Director

consolidated building corporation

LIABILITIES

	1973	1972
Bank indebtedness (note 4)	$ 3,133,917	$ 976,732
Accounts payable and accrued liabilities	3,656,665	1,766,975
Tenants' and other deposits	161,231	178,288
Mortgages on housing completed and under construction	3,909,236	2,037,405
Mortgages on investment properties (note 5a)	6,103,136	6,884,626
Other mortgages and secured loans (note 5a)	10,324,708	7,572,351
6¼% sinking fund debentures due February 1, 1979 (note 5b)	2,995,000	3,284,000
Deferred income taxes (note 6)	2,616,000	1,126,000
Contingent liabilities (notes 3, 7)		
Total liabilities	32,899,893	23,826,377
SHAREHOLDERS' EQUITY		
Capital stock (notes 9, 10)—		
Authorized: 13,952,400 common shares without par value		
Issued: 4,955,870 common shares without par value (134,041 shares were issued during the year for cash)	2,708,241	2,499,680
Retained earnings	1,803,169	465,260
	4,511,410	2,964,940
	$37,411,303	$26,791,317

(See accompanying notes)

Consolidated Building Corporation Limited

(and subsidiary companies)

Consolidated Statement of Source and Use of Funds

FOR THE YEAR ENDED FEBRUARY 28, 1973
(with comparative figures for 1972)

	1973	1972
Source of funds:		
Earnings for the year	$ 1,337,909	$ 519,180
Add (deduct) non cash items—		
Depreciation and amortization of investment properties	175,833	195,360
Amortization of financing costs and other intangibles	162,397	80,390
Deferred income taxes	1,490,000	520,000
Excess of par value over cost of debentures purchased for cancellation	(35,640)	(83,480)
Cash flow from operations	3,130,499	1,231,450
Investment properties—		
Net book value of investment property sold	1,624,252	—
Net book value of investment properties sold as condominiums	2,075,483	1,770,655
	3,699,735	1,770,655
Less decrease in mortgages payable thereon	2,205,695	941,302
	1,494,040	829,353
Increase (decrease) in accounts payable	1,889,690	(174,051)
Decrease (increase) in deposits on land	215,648	(479,000)
Issue of common shares	208,561	—
	6,938,438	1,407,752
Use of funds:		
Additions to investment properties	4,036,689	762,244
Less increase in mortgages payable thereon	2,400,000	1,467,125
	1,636,689	(704,881)
Increase (decrease) in housing inventory (excluding unsold condominium units transferred from investment properties)	1,725,359	(2,680,731)
Less increase (decrease) in mortgages payable thereon	896,036	(2,419,616)
	829,323	(261,115)
Increase in equity in joint ventures	4,164,759	412,598
Less related secured loan	1,200,211	—
	2,964,548	412,598
Increase (decrease) in mortgages, sale agreements and sundry receivables	4,876,210	(207,525)
Less increase in mortgages payable on related sale agreements	2,020,000	—
	2,856,210	(207,525)
Increase in real estate held for sale	356,604	5,542,255
Add decrease (increase) in mortgages payable thereon	467,854	(5,284,701)
	824,458	257,554
Repayment of sinking fund debentures (principal amounts 1973—$289,000; 1972—$504,000)	253,360	420,520
Net change in other assets and liabilities	(256,294)	263,392
	9,108,294	180,543
Increase (decrease) in bank indebtedness, net of cash	$ 2,169,856	$ (1,227,209)

(See accompanying notes)

Consolidated Building Corporation Limited
(and subsidiary companies)

Notes to Consolidated Financial Statements

FEBRUARY 28, 1973

1. **Accounting policies**

(a) **Consolidation —**

(i) The accounts of all subsidiary companies have been included in the consolidated financial statements.

(ii) It is the company's policy to account for its investments in joint ventures on the equity basis in the balance sheet. The proportionate share of the income and expenses of the company's interests in joint ventures is included in the corresponding items in the statement of earnings.

(b) **Depreciation —**

The company records depreciation on buildings held for investment purposes on a 4%, forty year, sinking fund basis. The depreciation charge, which increases annually, consists of a fixed annual sum together with an amount equivalent to interest compounded at the rate of 4% per annum so that assets will be fully depreciated forty years after construction or purchase.

Depreciation on equipment is recorded on a 10% straight-line basis. Leasehold improvements are written off in equal annual instalments over the terms of the leases.

(c) **Housing completed and under construction and real estate held for development and sale —**

These include the cost of land, land improvements, building construction costs and all carrying costs such as mortgage interest, realty taxes, legal fees and other direct expenses plus a portion of interest on general borrowings considered directly applicable.

The company provides for the immediate write-off of any costs which are not recoverable from the proceeds of future sales. Accordingly, the carrying value of these inventories is less than estimated realizable value.

(d) **Investment properties —**

The company constructs and operates properties of an investment nature, some of which may be sold from time to time, when, in the judgment of the Board of Directors, such sales are in the company's best interest. Investment properties are carried at cost including mortgage interest, property taxes, legal fees and certain overhead expenses (including interest) capitalized during the construction and initial leasing periods.

When a building is registered as a condominium, it is transferred from investment properties to housing completed and under construction. During the 1973 fiscal year, the company transferred property with a net book value of $2,400,000 (1972 – $2,767,000).

(e) **Revenue recognition —**

Revenue from the sale of housing is recognized when each house is completed and accepted by the purchaser. Revenue from the sale of condominiums is recognized when the property has been registered as a condominium and the unit is accepted by the purchaser. Revenue from the sale of land and investment properties is recognized when all material requirements related to the sales agreement have been met.

2. **Investment Properties, at cost**

These consist of:

	1973	1972
Buildings	$4,827,628	$ 8,903,992
Equipment	521,410	682,084
Leasehold improvements	388,994	456,540
Parking lot	274,344	274,344
Buildings under construction	996,402	—
	7,008,778	10,316,960
Less accumulated depreciation and amortization	1,185,990	1,821,540
	5,822,788	8,495,420
Land	3,861,934	1,222,941
	$9,684,722	$ 9,718,361

3. **Investment in joint ventures**

The combined financial position of the joint ventures in which the company had an equity interest is as follows:

	1973	1972
Assets:		
Mortgages receivable (including $2,012,506 due from Consolidated Building Corporation Limited; 1972 – $4,890,000)	$ 3,378,256	$ 5,856,273
Real estate held for development and sale	14,870,971	5,406,550
Housing completed and under construction	3,187,771	—
Other	788,666	94,638
	22,225,664	11,357,461
Liabilities:		
Bank indebtedness		1,148,627
Accounts payable and accrued liabilities	1,923,379	342,821
Estimated cost to complete real estate sold	797,101	2,052,176
Mortgages payable	6,685,403	4,622,354
Other	2,288,017	107,967
	11,693,900	8,273,945
Net assets of joint ventures	$10,531,764	$ 3,083,516
Company's equity in joint ventures	$ 4,767,731	$ 602,972

Mortgages payable of $6,685,403 bear interest at rates from 7½% to 10½%; of this amount, $5,883,000 is due after February 28, 1978. These mortgages are subject to the right of early discharge.

The company's share of profits from joint venture activities for the 1973 year amounted to approximately $420,000 after income taxes (1972—$70,000).

The joint ventures have lodged letters of credit aggregating $1,387,000 with municipalities as security for the fulfilment of their obligations under subdivision agreements.

The company is jointly and severally liable for the total liabilities (including letters of credit) of these joint ventures. Against this contingent liability, the company has a right to the related assets of the joint ventures.

4. **Bank indebtedness**

The company has issued and deposited with their bankers as collateral security, demand debentures and a mortgage in respect of the bank loan and letters of credit outstanding. These debentures are secured by a first floating charge on the assets of the company. In addition, accounts receivable and certain mortgage receivables have been assigned to the bankers.

5. **Long-term debt**

(a) Mortgages and secured loans of $10,324,708 and mortgages payable on investment properties of $6,103,136 bear interest at rates varying from 7% to 12%. Principal repayments are due as follows:

	Mortgages and secured loans	Mortgages payable on investment properties
Year ending Feb. 28, 1974	$1,986,000	$1,907,000
Year ending Feb. 28, 1975	225,000	62,000
Year ending Feb. 29, 1976	1,034,000	617,000
Year ending Feb. 28, 1977	275,000	1,072,000
Year ending Feb. 28, 1978	1,275,000	77,000
Thereafter	5,530,000	2,368,000

In certain circumstances, the mortgages include the right of early discharge.

It has been the policy of the company to negotiate the renewal of mortgages on investment properties as they mature.

(b) The 6¼% sinking fund debentures, Series A, are unsecured and were issued by the company pursuant to a trust indenture dated January 15, 1964, which provides that the company is to retire by means of a sinking fund, $400,000 on February 1 in each of the years 1974 and 1975, $700,000 in each of the year 1976 to 1978 and the balance on February 1, 1979.

As at February 28, 1973, the company had delivered to the trustees $5,000 in debentures in excess of the sinking fund requirements, which are available to be applied against the sinking fund commitments due in 1974.

The trust indenture also provides that dividends on common shares may only be paid from the total of the consolidated net earnings subsequent to August 31, 1963 plus the net cash proceeds to the company of the issue, after August 31, 1963, of any of its shares. Under this provision, the total of consolidated net earnings subsequent to February 28, 1973 and net cash proceeds from the issue of shares after that date will have to amount to approximately $4,980,000 before dividends may be paid on common shares.

6. Income taxes

Effective March 1, 1968, the company adopted the tax allocation basis of providing for income taxes, under which income taxes charged or credited to earnings are based on income recorded in the accounts; previously the provision for income taxes was based on income taxes currently payable.

Since this change in accounting for income taxes was not adopted retroactively, tax reductions of approximately $400,000 realized prior to March 1, 1968 as a result of claiming certain expenses in excess of the amounts recorded in the accounts, have not been included in deferred income taxes on the balance sheet.

7. Contingent liabilities

The company has lodged letters of credit aggregating $2,400,000 with municipalities and utilities as security for the fulfilment of its obligations under certain subdivision agreements.

8. Commitments

The company in the ordinary course of business has options and agreements to purchase various parcels of land in and near Metropolitan Toronto which may be developed and/or resold. At February 28, 1973, the company had outstanding recoverable deposits of $273,352 towards the purchase of land which will cost approximately $2,600,000.

The company leases a building under a long-term lease requiring approximate annual rentals of $242,000 to 1981 (with varying rates thereafter) exclusive of real estate taxes, insurance, maintenance and repairs which are estimated at approximately $275,000. Rental income from these premises is estimated at $410,000 for the year ending February 28, 1974.

9. Stock options

Options to purchase 95,959 common shares are outstanding, exercisable in varying numbers at varying dates up to 1977 as follows:

35,959	at	$1.50
5,000	at	$2.00
20,000	at	$2.34
35,000	at	$3.35

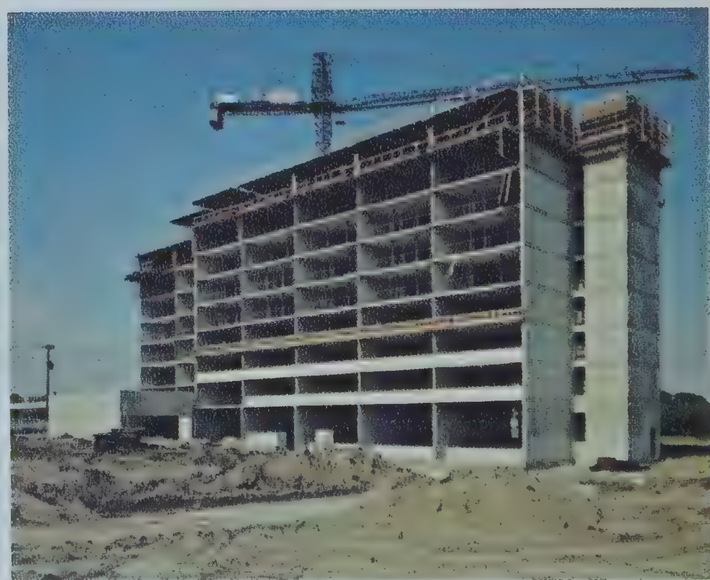
The company has reserved 95,959 of the authorized and unissued common shares for possible exercise of the options.

10. Subsequent event

Subsequent to the year-end, the company received a conditional offer from Bovis Corporation Limited for the purchase of 1,200,000 treasury shares of Consolidated at $3.75 per share for a total consideration of $4,500.000.

11. Statutory information

The aggregate direct remuneration paid or payable to directors and senior officers by the company and its consolidated subsidiaries amounted to $380,000 in the 1973 fiscal year (1972 – $196,000). Interest on debt initially incurred for a term of more than one year totalled $1,237,000 in the year.



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CONSOLIDATED BUILDING CORPORATION LIMITED

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS (UNAUDITED)

For the six months ended August 31, 1973

(with comparative figures for 1972)

	1973	1972
Source of funds:		
Earnings for the period	**$1,657,657**	$ 549,653
Add (deduct) non cash items		
Depreciation and amortization of investment properties	**76,847**	63,135
Amortization of financing costs	**31,348**	35,320
Deferred income taxes	**185,000**	518,000
Excess of par value over cost of debentures purchased for cancellation	**(2,190)**	(7,300)
Cash flow from operations	**1,948,662**	1,158,808
Decrease (increase) in housing inventory	**2,329,096**	(2,393,217)
Less decrease (increase) in related mortgages	**1,692,026**	1,181,847
	637,070	(1,211,370)
Increase in accounts payable	**150,864**	257,996
Decrease (increase) in real estate held for development and sale	**(1,083,967)**	2,180,652
Less decrease (increase) in related accounts payable	**(1,872,387)**	2,166,445
	788,420	14,207
Increase in common shares	**4,528,591**	21,000
Net book value of investment properties sold	**–**	1,906,250
Less mortgages discharged on sale	**–**	1,302,400
	–	603,850
Net changes in other assets and liabilities	**378,304**	133,477
	8,431,911	977,968
Use of funds:		
Increase (decrease) in deposits on land	**725,772**	(11,490)
Additions to investment properties	**2,586,874**	641,132
Less increase in mortgage proceeds	**2,060,298**	8,040
	526,576	633,092
Principal repayments on investment property mortgages	**28,103**	63,879
Increase in equity in joint ventures	**148,785**	1,250,748
Repayment of sinking fund debentures (principal amounts 1973 – $16,000, 1972 – $55,000)	**13,810**	47,700
Increase in mortgages and sundry receivables	**2,051,228**	971,674
	3,494,274	2,955,603
Net increase (decrease) in cash	**$4,937,637**	($1,977,635)

consolidated

building corporation

consolidated building corporation limited
99 Avenue Road, Toronto, Canada M5R 2G5

CONSOLIDATED BUILDING

Corporation Limited

INTERIM REPORT

For the Six Months Ended

AUGUST 31, 1973

6 MONTHS

TO THE SHAREHOLDERS

I am pleased to report that your Company continues to show increased activity and earnings on a steady basis.

Revenue for the period increased 66.6 per cent to $18,842,312. Net earnings were $1,657,657 as compared to $549,653 for the same period last year, and earnings per share increased to 33.3c per share from 11.4c.

On August 29 of this year, your Company completed the sale of 1,200,000 treasury shares to Bovis Corporation Limited at a price of $3.75 per share for a total sum of $4,500,000. The issuance of these shares had no impact on the earnings for the period. The per share earnings calculation was based on the average number of shares outstanding for the period.

Our Land Development division is readying new building lots for the coming season. The subdivision agreement has been approved for our Heart Lake Development of 760 acres in the Township of Chinguacousy. A subdivision agreement has been signed for the development of 175 acres in the Borough of Scarborough. Plans are being prepared for the development of an additional 50 acres in Whitby. Your Company has also acquired new lands for future development in the City of Kitchener and to the east of Toronto.

In Residential Construction, houses are being built for sale in Whitby, Malton, Meadowvale, Clarkson, North York, Scarborough and Central Park in Chinguacousy. Sales continue to be buoyant.

In our Revenue Producing division, 40 Gerrard Street, a 440-suite apartment building has been topped off and model suites should be ready for public presentation by November 15. Excavation has started on a major complex at Bloor and Dundas Streets in Toronto. Your Company, in the last quarter, acquired through joint venture an 84-suite luxury apartment building in Toronto's Forest Hill area. This building is almost complete and has approximately 40 per cent occupancy at this time. Your Company, as in all its joint ventures, is the managing partner.

We expect a continuation in growth and profits throughout the balance of the year, and look forward most optimistically to the future years.

L Shankman

Lawrence Shankman
President & Chief Executive Officer

October 22, 1973

The following are financial highlights of the six months ended August 31, 1973 compared to the same period in 1972.

	1973	1972	Percentage Increase
Revenue	$18,842,312	$11,308,600	66.6%
Net Profit	$ 1,657,657	$ 549,653	201.6%
Net Profit per Share	33.3c	11.4c	192.1%
Cash Flow from Operations	$ 1,948,662	$ 1,158,808	66.5%
Cash Flow per Share	39.1c	24.0c	62.9%

CONSOLIDATED BUILDING CORPORATION LIMITED

CONSOLIDATED STATEMENT OF EARNINGS (UNAUDITED)

For the six months ended August 31, 1973
(with comparative figures for 1972)

	1973	1972
Revenue:		
Sales of real estate	$17,367,316	$10,102,445
Gross income from investment properties	897,860	1,116,503
Interest and sundry income	574,946	82,352
Excess of par value over cost of debentures purchased for cancellation	2,190	7,300
	18,842,312	11,308,600
Expenditures:		
Cost of real estate sold	13,449,239	8,295,748
Operating expenses of investment properties (excluding interest and depreciation)	814,722	871,720
Selling, general and administrative expense	672,872	543,317
Interest expense	459,626	431,707
Depreciation and amortization	76,847	63,135
Amortization of financing costs	31,349	35,320
	15,504,655	10,240,947
Profit for the period before income taxes	3,337,657	1,067,653
Income taxes – current	1,495,000	–
Income taxes – deferred	185,000	518,000
Profit for the period	$1,657,657	$ 549,653